ORIGINAL

NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

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E-01933A-09-0476

IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR A FINANCING ORDER AUTHORIZING VARIOUS FINANCING TRANSACTIONS

DOCKET NO. E-01933A-09-_____

APPLICATION FOR FINANCING ORDER

Tucson Electric Power Company ("TEP"), through undersigned counsel, and pursuant to A.R.S. §§ 40-301 and 40-302, hereby respectfully submits its Application for Financing Order ("Application") requesting that the Arizona Corporation Commission ("Commission") authorize TEP to enter into various financing transactions described more fully herein. The requested order would allow TEP to: (1) increase the cap on its long-term indebtedness by $300 million; (2) increase the amount of revolving credit facilities by $50 million; (3) increase the amount of equity contributions up to $250 million from UniSource Energy Corporation ("UniSource Energy"), the parent company of TEP; and (4) extend the period for TEP to enter into these financings. As described more fully herein, TEP believes these authorizations are necessary at this time and is in the public interest. In support of this Application, TEP states as follows:

I. BACKGROUND.

TEP is an Arizona public service corporation with its principal office and place of business in Tucson, Arizona. TEP owns and operates facilities for the generation, purchase, transmission, distribution and sale of electricity in Tucson, the surrounding Pima County area and to Fort Huachuca in Cochise County. In addition, TEP owns interests in property in New Mexico in connection with the generation and transmission of electric power.

II. REQUESTED FINANCING AUTHORITY.

In this Application, TEP is seeking to enter into credit facilities, issue long-term debt and receive additional equity contributions under one order authorizing TEP to:

A. Issue additional long-term indebtedness and indebtedness to refinance existing long-term indebtedness so long as, after giving effect to the issuance of such indebtedness and the application of the proceeds thereof, the amount of outstanding long-term indebtedness (including current maturities thereof) of TEP shall not exceed $1,300,000,000 (which limit does not include capital lease obligations or indebtedness arising under TEP's credit facilities);

B. Enter into one or more credit or reimbursement agreements, and to enter into agreements to refinance any such credit or reimbursement agreements, which may consist of one or more revolving credit facilities so long as, after giving effect to the entry of such a facility, TEP's revolving credit facilities do not exceed $200 million in the aggregate and to enter into one or more letter of credit facilities supporting tax-exempt bonds which have been or in the future will be issued pursuant to lawful authority;

C. Receive up to $250 million of additional equity contributions from its parent company, UniSource Energy Corporation; and

D. Enter into these transactions on or before December 31, 2014.

Within 90 days of the completion of any financing transaction made pursuant to the requested Commission Order, TEP would make a compliance filing with the Commission in which TEP would provide copies of the relevant agreements and provide a description of the business rationale for such financing or refinancing, including a demonstration that the rates and terms received by TEP were fair and reasonable under prevailing market conditions.

III. LONG-TERM DEBT.

In Decision Number 69946 (October 30, 2007), the Commission authorized TEP to issue long-term debt and refinance existing long-term debt, excluding capital lease obligations and indebtedness authorized in Decision Number 69182 (December 8, 2006), in an amount not to exceed $1 billion. As of June 30, 2009, TEP had total outstanding long-term indebtedness in an aggregate principal amount of $903,615,000. Attached to this Application as Exhibit A is a schedule showing the individual series of debt which comprise this total and the maturity dates for each series.

TEP needs to increase its long-term debt cap to $1.3 billion to accommodate the financing of plant additions anticipated over the next five years. The plant additions are necessary in order for TEP to continue to provide safe and reliable electrical service to our customers. Additionally, in December 2008, TEP was awarded an allocation of $200 million of Private Activity Bond ("PAB") volume cap from the Arizona Department of Commerce ("AZDOC"). As part of the necessary plant additions anticipated in the next five years mentioned above, TEP may cause tax-exempt bonds to be issued under that allocation to finance those projects. As explained in more detail below, the use of this tax-exempt PAB financing allocation should result in cost effective financing and therefore would be in the public interest. Thus, TEP is requesting that the Commission increase its long-term debt cap to $1.3 billion, so that TEP can continue to provide cost effective, safe and reliable electrical service to its customers.

Over the next five years, TEP expects to enter into various long-term debt financing transactions. TEP anticipates that those transactions could include, without limitation, the following:

A. Issuance of New Tax-Exempt Bonds under New Tax-Exempt Bond Issuance Allocation.

In December 2008, the Arizona Department of Commerce approved TEP's application for $200 million of PAB carry forward volume cap allocation. Under this program, TEP may cause tax-exempt bonds to be issued for the local furnishing of electricity during the three-year period of 2009-2011. These tax-exempt local furnishing bonds, which would be issued by the Pima County Industrial Development Authority ("Pima Authority"), represent a source of financing for capital expenditures on TEP's local transmission and distribution system. These bonds may be issued in one single series of $200 million or in several series of smaller amounts at the same time or at different times through 2011. Decisions regarding the maturity date, interest rate (e.g. fixed vs.

floating rate), security (e.g. whether to provide mortgage bonds as collateral), letter of credit support and other key terms would be subject to market conditions and other factors at the time of issuance. However, TEP's ability to finance on a tax-exempt basis will require continuing compliance with applicable tax laws and other requirements, and will be dependent as well on the state of the tax-exempt debt market. Although TEP intends to issue what has traditionally been a low cost source of financing, there can be no assurance that TEP will be able to finance on a tax-exempt basis. Consequently, this Application would also allow TEP to issue taxable corporate debt in lieu of tax-exempt debt obligations if necessary.

B. Issuance of New Taxable Long-Term Debt.

In addition to the potential use of the $200 million in tax-exempt issuance capacity described above, TEP would also like to retain the ability to issue long-term taxable corporate debt. Such taxable debt could be unsecured or secured, depending on market conditions and TEP's credit ratings, and could include mortgage bonds issued under TEP's Mortgage and Deed of Trust.

TEP has unused mortgage bond issuance capacity under its Mortgage and Deed of Trust. This mortgage bond issuance capacity is further constrained at this time by a covenant in the Credit Agreement which limits the amount of mortgage bonds TEP may have outstanding to $840 million. As of September 30, 2009, TEP had $623 million in outstanding mortgage bonds securing the Credit Agreement and LOC Reimbursement Agreement, leaving TEP with $217 million in mortgage bond issuance capacity within the constraint of the Credit Agreement covenant.

The variables to be determined include maturity, interest rate, discount rates or placement fees, security, public vs. private offering and timing of issuance. These and other transaction-specific terms would be dependent on market conditions and would be negotiated with the intent of obtaining favorable terms to TEP.

C. Refinancing of Tax-Exempt Bonds.

TEP has approximately $459 million of variable rate tax-exempt bonds outstanding. Although TEP has no current plans to refinance these bonds, depending on market conditions, it may be advantageous to refinance all or a portion of such bonds with either fixed rate or new variable rate tax-exempt bonds. Even though the outstanding variable rate tax-exempt bonds have relatively low interest rates, it is possible that bonds with a longer final maturity or bonds with different features could be advantageous to TEP over the long run.

As of September 30, 2009, TEP also has approximately $130 million of fixed rate tax-exempt bonds with interest rates in the range of 6.95% to 7.125%. These bonds may be candidates for refinancing on either a fixed rate or variable rate basis over the next five years. Refinancing of these bonds would depend on market conditions and the terms available to TEP in the tax-exempt bond market.

Interest rates on tax-exempt bonds have historically been lower than those paid on taxable bonds of the same maturity and credit rating due to the exclusion of interest received from the taxable income of the investor. Due to recent disruptions in the financial markets, this cost advantage has not always been present over the last two years. If these conditions were to reoccur, TEP may find it is more advantageous to refinance tax-exempt debt with taxable debt. Additionally, as described above, TEP's ability to issue tax-exempt bonds may be limited by applicable tax laws and other requirements.

IV. <u>CREDIT AND REIMBURSEMENT AGREEMENTS.</u>

In Decision No. 69182, the Commission authorized TEP to refinance or amend its Credit Agreement dated August 11, 2006 ("Credit Agreement"). The Credit Agreement consists of two credit facilities: (i) a $150 million revolving credit facility and (ii) a $341 million letter of credit ("LOC") facility supporting a portion of TEP's variable rate tax-exempt debt. TEP's Credit Agreement expires in August 2011, and its existing authority to refinance or amend these facilities expires in December 2009. Additionally, under the general financing authority granted in Decision No. 69946, TEP entered into a $132 million letter of credit and reimbursement agreement to support the issuance of new variable rate tax-exempt bonds in 2008. As explained below, that agreement expires in April 2011.

The revolving credit facility under the Credit Agreement is used as a source of liquidity for working capital purposes, for general corporate purposes and may also be used to issue letters of credit to provide credit enhancement to counterparties for TEP's energy procurement and hedging activities. TEP is requesting authorization to increase the size of its revolving credit facilities to provide it with greater liquidity as TEP continues to grow, including the liquidity to support its commodity procurement and hedging activities. In light of the recent volatility and tightening of the credit markets over the last two years, TEP believes it is essential that it has financing authority in place to refinance the Credit Agreement well in advance of the August 2011 expiration. At the same time, TEP would like to increase the amount of its revolving credit facility by $50 million to meet its growing short-term liquidity needs.

The refinancing and modification of TEP's credit and reimbursement agreements is necessary in order for TEP to continue providing cost effect, reliable and safe electrical service to our customers, and as such is in the public interest. Therefore, in order to meet TEP's short-term liquidity needs and to provide continuing credit support for its variable rate tax-exempt debt, TEP is seeking authority to enter into one or more credit or reimbursement agreements, and to enter into agreements to refinance any such credit or reimbursement agreements, which may consist of one or more revolving credit facilities so long as, after giving effect to the entry of such a facility, TEP's revolving credit facilities do not exceed $200 million in the aggregate, and may also consist of one or more letter of credit facilities to support tax-exempt bonds which have been or in the future will be issued pursuant to lawful authority.

A. Credit Agreement.

The Credit Agreement consists of two facilities: (a) a $150 million revolving credit facility and (b) a $341 million LOC facility. The credit facilities are secured by $491 million in mortgage bonds issued under TEP's Mortgage and Deed of Trust. Borrowings under the Revolving Credit Facility bear interest at a variable interest rate consisting of a spread over the London Interbank Offered Rate ("LIBOR") or an Alternate Base Rate (similar to a prime rate). The spread over LIBOR or Alternate Base Rate is determined based on a pricing grid that is, in turn, based upon the ratings of the credit facilities established by Standard and Poors ("S&P") and Moody's Investor Service ("Moody's"). The credit facilities are currently rated investment grade, BBB+ by S&P, and

Baa1 by Moody's. As of September 30, 2009, the applicable borrowing rate for TEP was LIBOR plus 0.45%. TEP also pays a commitment fee of 0.09% on the unused portion of the revolving credit facility. As of September 30, 2009, TEP had $25 million in outstanding loans under its revolving credit facility at an average interest rate of 1.21%.

The LOC facility under the Credit Agreement provides $341 million of LOCs to support six series of TEP's tax-exempt variable rate debt obligations. The LOCs support $329 million aggregate principal amount of bonds and up to $12 million to cover varying number of days of accrued interest on such obligations. Fees payable on the LOC facility are also tied to the pricing grid that is based upon the ratings of the credit facilities. As of September 30, 2009, the applicable LOC fee was 0.45%. In addition, TEP pays an "LOC Fronting Fee" of 0.15% to the banks that are issuers of the LOCs.

B. LOC Reimbursement Agreement.

In 2008, under the general financing authority granted in Decision No. 69946, TEP caused the Pima Authority to issue $130 million of variable rate tax-exempt bonds. In connection therewith, a Reimbursement Agreement, dated April 30, 2008 (the "LOC Reimbursement Agreement"), was entered into which consists of a $132 million letter of credit facility to provide credit support for the principal of the bonds and up to $2 million of accrued interest. The LOC Reimbursement Agreement is supported by $132 million of mortgage bonds issued under TEP's Mortgage and Deed of Trust. The LOC Reimbursement Agreement expires in April 2011. As of September 30, 2009, the applicable LOC fee under the LOC Reimbursement Agreement was 0.65% and the LOC Fronting Fee was 0.25%.

C. Authority to Enter Into Credit or Reimbursement Agreements.

As requested in this Application, TEP is seeking Commission authority to enter into one or more credit or reimbursement agreements to enable TEP to refinance the Credit Agreement well in advance of its expiration in August 2011. Further, TEP is requesting that the Commission increase the amount of TEP's revolving credit facility from $150 million to $200 million. TEP will also need to refinance the LOC Reimbursement Agreement prior to its expiration in April 2011. The term of any new credit or reimbursement agreement or the length of any extension of the existing Credit Agreement or LOC Reimbursement Agreement would depend on market conditions at the time the new agreement or extension was executed but TEP would expect any such credit or reimbursement agreement to have a term of five years or less.

Under the Credit Agreement TEP currently pays rates on its revolving credit facility and LOC facility that are based on market rates in effect in 2006. In the case of the LOC Reimbursement Agreement, TEP pays rates that are based on market rates in early 2008. In 2006, the bank credit markets were highly liquid and competitive, and companies like TEP were able to lock in very favorable pricing for a period of five years. In early 2008 the bank credit markets were still liquid but were more expensive to access. Since then, the bank credit markets have experienced extreme turmoil and volatility. The deterioration in credit quality of many large financial institutions and the acquisitions and consolidations in the banking industry have reduced the number of institutions willing to lend, and have caused the pricing to increase dramatically. Recent quotes by financial institutions indicate that if TEP were to refinance its credit facilities today, it would have to pay a spread of approximately 3.00% over LIBOR to borrow, compared to the 0.45% it is paying today under the Credit Agreement. We cannot predict what the rates will be at the time TEP is authorized to refinance its facilities, but it is very likely that it will have to pay a higher rate than it does today to obtain credit at that time.

TEP does not propose to limit the amount of LOC facilities issued to support tax-exempt bonds to a specific amount because the tax-exempt bonds constitute a portion of TEP's authorized long-term debt issued pursuant to lawful authority. The LOCs supporting such bonds represent a component of the tax-exempt debt financing arrangements which does not increase the amount of outstanding long-term debt of TEP but merely represents a cost effective method of providing credit support for such bonds. It is generally not possible to obtain LOCs with a maturity that matches the maturity of the bonds so renewals or replacements of such letter of credit facilities are periodically required to maintain such financings. TEP needs to renew or replace the LOC facilities in the Credit Agreement and LOC Reimbursement Agreement in order to maintain the current form of variable rate tax-exempt bonds supported by those LOCs. Also, if market conditions warrant, future issuances of tax-exempt bonds may be issued with LOC support which would require additional letter of credit facilities. The interest rates on all of TEP's variable rate tax-exempt bonds are currently reset weekly. As of September 30, 2009, the average interest rate on such bonds was 0.37% on an annualized basis.

V. ADDITIONS TO TEP'S EQUITY CAPITAL.

Decision No. 69946 also ordered that "Tucson Electric Power Company is authorized to receive capital contributions from its parent company UniSource Energy Corporation, in an amount of up to $150 million." TEP is requesting in this Application the authority to obtain up to $250 million of additional equity contributions from its parent company in order to maintain a balanced capital structure over the next several years. TEP has worked hard over the years to improve and stabilize its capital structure. The reduction in debt leverage and improved capital structure has resulted in significant improvements in TEP's bond ratings by the major rating agencies (S&P, Moody's and Fitch Ratings ("Fitch")). These improvements allow TEP greater access to more favorably priced capital in the debt markets. Therefore, allowing TEP to obtain additional equity from its parent company in order to maintain a balanced capital structure is in the public interest.

VI. REQUEST FOR EXTENSION OF TIME.

TEP requests that the Commission extend the time period to enter into the transactions mentioned above through December 31, 2014.

VII. USE OF PROCEEDS.

TEP intends to use the proceeds from the issuance of new long-term indebtedness for the following purposes: (i) refinance existing long-term indebtedness; (ii) finance a portion of TEP's capital expenditure program for the next five years; and (iii) pay-off outstanding borrowings under TEP's revolving credit facility. As disclosed on page 48 of TEP's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 as filed with the SEC, TEP anticipates capital expenditures of $894 million for the period 2010 to 2013.

TEP intends to use its revolving credit facility for the following purposes: (i) as a source of liquidity for working capital purposes; (ii) to issue letters of credit to provide credit enhancement to counterparties for TEP's energy procurement and hedging activities; and (iii) for other lawful corporate purposes.

Letter of credit facilities supporting variable rate tax-exempt bonds do not result in proceeds to TEP. Such facilities are for the purpose of providing credit support for tax-exempt bonds, the proceeds of which are used to finance capital expenditures of TEP.

VIII. <u>TEP'S FINANCIAL CONDITION.</u>

Attached as Exhibit B is a chart showing the improvement in TEP's capital structure since 1998. TEP's ratio of Total Equity to Total Capitalization (excluding capital lease obligations and short-term debt) has improved from 16% at December 31, 1998 to 41% at June 30, 2009. When TEP's net capital lease obligations are included, TEP's ratio of Total Equity to Total Capitalization has improved from 10% at December 31, 1998 to 32% at June 30, 2009.

Attached as Exhibit C is a chart showing the trend in TEP's secured and unsecured bond ratings since 1996. As of September 30, 2009, all three of the rating agencies (Moody's, S&P and Fitch) rated TEP's secured debt investment grade, and two of the three rating agencies (Moody's and S&P) rated TEP's unsecured debt investment grade.

During 2008, TEP used the general authority granted to TEP in Decision No. 69946 twice to cause bonds to be issued for its benefit by the Pima Authority. In March 2008, the Pima Authority issued for TEP's benefit $90,735,000 of its 2008 Pima Series A tax-exempt bonds ("2008 Pima A Bonds"). The 2008 Pima A Bonds are unsecured, bear interest at 6.375% and mature on September 1, 2029. In June 2008, the Pima Authority issued for TEP's benefit $130,000,000 of its 2008 Pima Series B tax-exempt bonds ("2008 Pima B Bonds"). The 2008 Pima B Bonds bear interest at a variable rate which is reset weekly and mature on September 1, 2029. The 2008 Pima B Bonds are supported by an LOC issued under the LOC Reimbursement Agreement described above. The proceeds from the issuance of the 2008 Pima A Bonds and 2008 Pima B Bonds were used to redeem $222.745 million aggregate principal amount of 1997 Pima Series B and Series C tax-exempt bonds which were then held by TEP. TEP then used these redemption proceeds to redeem $138 million of TEP's 7.5% Collateral Trust Bonds that matured on August 1, 2008, to repay outstanding loans under TEP's revolving credit facility and to fund a portion of TEP's capital expenditures.

The general financing authority granted to TEP in Decision No. 69946 was conditioned upon TEP having equity equal to at least 30% of its total capital and a cash coverage ratio of at least 1.75 times at the time of any new debt issuance. TEP adhered to this condition at the time of the two debt issuances described above, and will continue to agree to have this condition included in the general long-term indebtedness financing authority requested herein.

TEP believes that the amount of financing authority requested is reasonable and prudent and will not diminish TEP's financial integrity. TEP has made significant progress in reducing its leverage and improving its capital structure over the last 15 years and does not intend to re-leverage its balance sheet. The reduction in debt leverage and improved capital structure has resulted in significant improvements in TEP's bond ratings by the major rating agencies S&P, Moody's and Fitch.

IX. <u>CONCLUSION.</u>

TEP believes that Commission approval of its Application would provide TEP with the required flexibility to access the capital markets in a timely and efficient manner, to take advantage of selective opportunities to reduce TEP's financing costs, to manage the mix of fixed-rate and variable rate debt in TEP's capital structure, to select the appropriate financing options to match the purpose of the debt, and to receive additional equity contributions from its parent to maintain a balanced capital structure. TEP believes that the financing authority requested herein is consistent with sound financial practices and its duties as a public service corporation, and is in the public interest.

WHEREFORE, for all of the foregoing reasons, TEP requests that the Commission issue an Order:

1. Finding and concluding that the approval of this Application is in the public interest;

2. Authorizing TEP to issue long-term indebtedness provided that after giving effect to

the issuance of such indebtedness, the aggregate outstanding principal amount of long-term indebtedness of TEP (including current maturities thereof), shall not exceed \$1.3 billion. Such limit does not include capital lease obligations, indebtedness arising under TEP's credit and reimbursement agreements and the principal amount of long-term debt being refinanced by newly issued debt being issued pursuant to such authority;

3. Authorizing TEP to enter into any refinancings, refundings, renewals, reissuances and rollovers of any outstanding indebtedness, as well as the incurrence or issuance of any additional long-term indebtedness, and the amendment or revision of any terms or provisions of or relating to any long-term indebtedness, so long as total long-term indebtedness outstanding, after giving effect to such issuance, does not exceed the levels set forth in (2) above;

4. Authorizing TEP to enter into one or more credit or reimbursement agreements, and to enter into agreements to refinance any such credit or reimbursement agreements, which may consist of one or more revolving credit facilities so long as, after giving effect to the entry of such a facility, TEP's revolving credit facilities do not exceed \$200 million in the aggregate and enter into one or more letter of credit facilities which provide letters of credit to support tax-exempt bonds which have been or in the future will be issued pursuant to lawful authority;

5. Authorizing TEP to provide security for any such financing transactions by the issuance of mortgage bonds under its Mortgage and Deed of Trust;

6. Authorizing TEP to receive additional equity contributions of up to \$250 million from its parent, UniSource Energy Corporation;

7. Requiring TEP, when refinancing long-term indebtedness under the authority set forth in (2) above in circumstances where the issuance of the refinancing debt would result in total long-term indebtedness exceeding the \$1.3 billion level set forth in (2) above if the principal amount of the debt being refinanced were considered to be

included in total long-term indebtedness, to repay the debt being refinanced within 90 days of the new debt issuance;

8. Conditioning the issuance of long-term indebtedness under the authority set forth in (2) above (other than in the case of refinancing long-term indebtedness) upon TEP having equity equal to at least 30 percent of its total capital and a cash coverage ratio of at least 1.75 when equity is between 30 and 40 percent of total capital, or a cash coverage ratio of 1.0 if equity is 40 percent or higher of total capital. The equity ratio and the cash coverage ratio shall be determined on a pro forma basis after giving effect to the issuance of the long-term debt to be issued pursuant to the authority and the discharge of any long-term debt being refunded or refinanced thereby. For purposes of the Order, the equity ratio shall be the ratio of (a) common stock equity to (b) total capitalization, using the most recently audited financial statements as adjusted for capital contributions, distributions, and issuances, repayment or purchases of debt or equity occurring after the most recently audited financial statements. For the purposes of the Order, total capitalization shall be the defined as the sum of common stock equity, long-term debt (including current maturities thereof), capital lease obligations (including current obligations under capital leases), less TEP's investments in capital lease debt. For purposes of the Order, the cash coverage ratio shall be the ratio of (a) the sum of operating income, depreciation and amortization expense for the twelve month period ending on the last day of the period covered by the most recently audited financial statements, to (b) interest expense for the twelve month period ending on the last day of such period minus interest expense for such period for any indebtedness being refinanced or refunded with the proceeds of long-term debt being issued plus interest expenses for twelve months on the indebtedness being issued (calculated, in the case of indebtedness bearing a floating rate of interest, at the rate initially in effect on the date of the issuance thereof). For purposes of the Order, future changes in GAAP that have the effect of lowering

TEP's equity will be exempted from the equity and cash coverage ratios tests until the Commission makes a determination. TEP shall make a filing with the Commission requesting such a determination within 30 days after the Company files its quarterly report on Form 10-Q or its annual report on Form 10-K with the Securities and Exchange Commission following the end of the fiscal quarter in which the GAAP change occurs. Incurring obligations under authorized credit or reimbursement agreements is not considered to be the incurrence of long-term indebtedness which is subject to the conditions set forth in this (8);

9. Authorizing the execution, delivery and performance by TEP of all contracts, agreements, and other instruments which are incidental to any or all of the foregoing or otherwise deemed by TEP to be necessary, desirable or appropriate in connection therewith;

10. Ordering that the authorization to issue long-term debt, enter into one or more credit agreements for revolving credit facilities and receive additional equity contributions in the Order shall replace the existing authorizations of Decisions No. 69946 and 69182, that those authorizations terminate upon the effective date of the Order, and that all existing obligations incurred under lawful authorizations shall remain valid;

11. Ordering that the Order be deemed effective upon issuance and TEP may enter into the transactions authorized under the Order through December 31, 2014; and

12. Granting any other relief that the Commission determines to be appropriate and in the public interest at this time.

RESPECTFULLY SUBMITTED this 2d day of October 2009.

TUCSON ELECTRIC POWER COMPANY

By ______________________

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and

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Original and 13 copies of the foregoing filed this 2nd day of October 2009 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered/mailed this ____ day of October 2009 to:

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By Mary Ippolito

EXHIBIT

"A"

EXHIBIT A

TUCSON ELECTRIC POWER COMPANY
LONG-TERM DEBT AT 09/30/09

	AMOUNT OUTSTANDING ($MILLIONS)	INTEREST RATE AT 9/30/2009	DATE ISSUED	DUE DATE	CALL PRICE AS % OF PAR 09/30/2009 (1)	SECURITY PROVIDED	LETTER OF CREDIT EXPIRATION (2)	FACILITIES FINANCED
TAX-EXEMPT BONDS (FIXED RATE)								
97 Farmington	$80.41	6.950%	4/97	10/20	101.000%	Unsecured	N/A	San Juan Pollution Control
97 Coconino A	$36.70	7.125%	4/97	10/32	101.000%	Unsecured	N/A	Navajo Pollution Control
97 Coconino B	$14.70	7.000%	4/97	10/32	101.000%	Unsecured	N/A	Navajo Pollution Control
97 Pima A	$22.46	6.100%	9/97	9/25	100.000%	Unsecured	N/A	Local T&D
98 Apache A	$83.70	5.850%	3/98	3/28	100.000%	Unsecured	N/A	Springerville 1 Poll. Control
98 Apache B	$99.80	5.875%	3/98	3/33	100.000%	Unsecured	N/A	Springerville 2 Poll. Control
98 Apache C	$16.50	5.850%	3/98	3/26	100.000%	Unsecured	N/A	Local T&D
08 Pima A	$90.75	6.375%	3/08	9/29	5 year no call	Unsecured	N/A	Spv Expr Line / Local T&D
Subtotal	$445.02							
TAX-EXEMPT BONDS (VARIABLE RATE)								
08 Pima B	$130.00	0.350%	6/08	9/29	100.000%	Mortgage Bond	4/30/2011	Local T&D
82 Pima Irvington	$38.70	0.400%	10/82	10/22	100.000%	Mortgage Bond	8/11/2011	Local T&D and Irvington
82 Pima TEP Projects	$39.90	0.400%	12/82	12/22	100.000%	Mortgage Bond	8/11/2011	Local T&D and 4 Corners P.C.
83 Apache A	$100.00	0.350%	12/83	12/18	100.000%	Mortgage Bond	8/11/2011	Springerville Unit 2
83 Apache B	$80.00	0.400%	12/83	12/18	100.000%	Mortgage Bond	8/11/2011	Springerville Unit 2
83 Apache C	$50.00	0.350%	12/83	12/18	100.000%	Mortgage Bond	8/11/2011	Springerville Unit 2
85 Apache A	$20.00	0.350%	12/85	12/20	100.000%	Mortgage Bond	8/11/2011	Springerville Unit 2
Subtotal	$458.60							
TOTAL LONG-TERM DEBT	$903.62							

(1) Call prices for variable rate obligations are applicable prior to any fixed rate conversion.
(2) Letters of credit are required to support outstanding variable rate bonds.

EXHIBIT

"B"

EXHIBIT B

TUCSON ELECTRIC POWER COMPANY
HISTORICAL EQUITY RATIOS

($ in millions)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	6/30/2009
Equity	$ 230	$ 270	$ 296	$ 322	$ 354	$ 406	$ 415	$ 559	$ 555	$ 577	$ 584	$ 641
Long-Term Debt	1,186	1,185	1,134	1,132	1,130	1,128	1,100	821	821	821	904	904
Total Capitalization (Excluding Capital Leases)	$ 1,416	$ 1,455	$ 1,430	$ 1,454	$ 1,484	$ 1,534	$ 1,515	$ 1,380	$ 1,376	$ 1,398	$ 1,488	$ 1,545
Capital Lease Obligations	$ 902	$ 916	$ 879	$ 873	$ 845	$ 812	$ 755	$ 714	$ 647	$ 590	$ 531	$ 536
Investment in Lease Debt	(18)	(43)	(72)	(54)	(192)	(179)	(171)	(156)	(133)	(105)	(79)	(97)
Total Capitalization (Including Capital Leases)	$ 2,300	$ 2,328	$ 2,237	$ 2,273	$ 2,137	$ 2,167	$ 2,099	$ 1,938	$ 1,890	$ 1,883	$ 1,940	$ 1,984
Equity / Total Capitalization (Excluding Capital Leases)	16%	19%	21%	22%	24%	26%	27%	41%	40%	41%	39%	41%
Equity / Total Capitalization (Including Capital Leases)	10%	12%	13%	14%	17%	19%	20%	29%	29%	31%	30%	32%

EXHIBIT

"C"

Exhibit C

TEP Credit Ratings